

Program A: Administrative

Program Authorization: R.S. 39:1527-1544

PROGRAM DESCRIPTION

The mission of the Administrative Program in the Office of Risk Management (ORM) is to develop, direct, and administer a cost-effective, comprehensive risk management program for all state agencies, boards and commissions of the State of Louisiana and any other entity for which the state has an equity interest, in order to preserve and protect the assets of the State of Louisiana.

The goals of the Administrative Program in the Office of Risk Management are:

1. To improve accountability.
2. To improve efficiency of standard procedures.
3. To minimize losses and achieve financial stability.
4. To identify exposure and losses, actual and potential methods of outcome-based management which focus on the results of reducing the exposure and managing the risk.
5. To maintain sound principles of insurance and management by providing training to entry level adjusters and examiners to instruct them in basic principles and techniques of claims adjusting.

The Administrative Program includes the following activities: Administrative Support, Accounting, Underwriting, Loss Prevention, and Claims.

The Administrative Support Unit is charged with directing the primary focus of the agency, the self-insurance program of the state.

The Accounting Unit directs all fiscal operations of the agency, which include cash receipts and disbursements, accounts receivable and payable, payroll, budget, financial statement preparation, special fiscal studies or requests, reports for actuarial analysis, contract preparation and approval, distribution of claims payments, and quality control on the computerized claims management system. The unit is also responsible for all functions required to develop and analyze statistical data for use in premium determination and engineering of risks to reduce losses. It obtains information from Claims, Loss Prevention, and Underwriting and develops statistical data to provide information to management for decision making. In addition, it is responsible for premium development.

The Underwriting Unit is responsible for commercial insurance purchases through a competitive bid process and for billings for all coverages to all state agencies. The unit's goal is to obtain the most effective coverage that is cost-beneficial to the state. All insurance coverages are mandatory, which means that coverage is required either by the ORM, legislative auditors, legislative statutes or agency rules and policies.

The Loss Prevention Unit assists all state agencies in the prevention and reduction of employee job-related accidents, injuries, and loss of state property, thereby reducing the direct and indirect costs to the state. The unit analyzes loss experience data for each risk, identifies various causes of losses, and isolates critical causes and locations. It communicates analyses to safety coordinators of various agencies; develops and coordinates a comprehensive loss prevention program for the state, which includes loss control management, facility inspection, accident investigation, rules and regulations and communications; and trains all state agency safety personnel incidental to facility inspections and accident investigations.

The Claims Unit is responsible for all adjusting functions of claims including investigation, management, and payment of claims.

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2001-2002. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

1. (KEY) To provide all state agencies with insurance coverage at a price that is less than the equivalent commercial coverage cost.

Strategic Link: This operational objective is an incremental step toward accomplishing the Division of Administration's Strategic Goal 8, Objective 1: *Through June 30, 2003, the Office of Risk Management (ORM) will provide all state agencies with insurance coverage at a price that is less than the equivalent commercial coverage cost.*

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 2 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Cost of ORM premiums (in millions) ¹	\$127.9	\$129.7	\$149.9	\$149.9 ²	\$194.1	\$100.2 ³
K	Cost of equivalent commercial premiums (in millions)	\$450.8	\$337.8	\$406.3	\$406.3	\$337.8	\$337.8
S	Savings of ORM premiums over commercial premium equivalents (in millions)	Not applicable ⁴	\$208.1	\$256.4	\$256.4	\$143.7	\$237.6

¹ This performance indicator represents the amount of premiums budgeted for the Office of Risk Management (ORM). The amount of ORM premiums requested in the budget includes costs to pay current claims, claims expenses and excess coverage expenses.

² Although the performance standard is \$149.9 million, the Office of Risk Management projects a yearend target of \$114.1 million in its FY 2000-2001 First Quarter Performance Progress Report. The amount budgeted for ORM premiums does not include Tort and Road Hazard Insurance premiums for the Department of Transportation and Development (DOTD).

³ The Office of Risk Management indicates that at this recommended level of funding for the cost of premiums, ORM will be unable to provide a full-service insurance program.

⁴ This was a new performance indicator for FY 2000-2001. It did not appear under Act 60 of 1999 and does not have a FY 1999-2000 performance standard.

GENERAL PERFORMANCE INFORMATION: SAVINGS OVER COMMERCIAL EQUIVALENT COVERAGES

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1985-86	PRIOR YEAR ACTUAL FY 1986-87	PRIOR YEAR ACTUAL FY 1987-88	PRIOR YEAR ACTUAL FY 1988-89	PRIOR YEAR ACTUAL FY 1989-90
Commercial equivalent premiums	\$64,986,716	\$98,081,336	\$107,107,821	\$293,061,182	\$323,663,252
ORM billed premiums	\$24,299,538	\$30,136,398	\$43,042,821	\$183,798,804	\$213,286,054
Savings over commercial equivalent	\$40,687,178	\$67,944,938	\$64,065,000	\$109,262,378	\$110,377,198

GENERAL PERFORMANCE INFORMATION: SAVINGS OVER COMMERCIAL EQUIVALENT COVERAGES

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1990-91	PRIOR YEAR ACTUAL FY 1991-92	PRIOR YEAR ACTUAL FY 1992-93	PRIOR YEAR ACTUAL FY 1993-94	PRIOR YEAR ACTUAL FY 1994-95
Commercial equivalent premiums	\$349,925,842	\$454,562,254	\$452,111,809	\$331,642,323	\$345,716,954
ORM billed premiums	\$193,469,719	\$275,144,904	\$452,111,809	\$68,945,376	\$89,437,880
Savings over commercial equivalent	\$156,456,123	\$179,417,350	\$452,111,809	\$262,696,947	\$256,279,074

GENERAL PERFORMANCE INFORMATION: SAVINGS OVER COMMERCIAL EQUIVALENT COVERAGES

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99	PRIOR YEAR ACTUAL FY 1999-00
Commercial equivalent premiums	\$317,604,974	\$337,404,877	\$377,024,562	\$405,449,570	\$337,801,842
ORM billed premiums	\$193,089,694	\$222,433,921	\$169,303,389	\$148,000,784	\$129,684,673
Savings over commercial equivalent	\$124,515,280	\$114,970,956	\$207,721,173	\$257,448,786	\$208,117,169

2.(KEY) Through the Loss Prevention Activity, to conduct 100% of the safety audits on all state agencies that participate in the Loss Prevention Program.

Strategic Link: This operational objective is an incremental step toward accomplishing the Division of Administration's Strategic Goal 8, Objective 1: *Through June 30,2003, the Office of Risk Management, through the Loss Prevention Management, will conduct safety audits on all state agencies once per year.*

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 2 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Percentage of state agencies audited	100%	100%	Not applicable ¹	100% ¹	100%	100%
S	Percentage of agencies satisfied with ORM's Loss Prevention services	Not applicable ²	99%	Not applicable ²	98% ²	98%	98%

¹ This performance indicator appeared under Act 60 of 1999. However, it did not appear under Act 2 of 2000 and does not have a FY 2000-2001. The value shown for existing performance standard is an estimate not a standard.

² This performance indicator did not appear under Act 60 of 1999 or Act 2 of 2000 and does not have a performance standard for FY 1999-2000 or FY 2000-2001. The value shown for existing performance standard is an estimate not a standard.

GENERAL PERFORMANCE INFORMATION: ORM LOSS PREVENTION AUDITS		
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1998-99	PRIOR YEAR ACTUAL FY 1999-00
Number of agencies audited	715	715
Percentage of agencies passing audit	52%	52%

3. (KEY) To maintain or reduce the number of claims per adjuster.

Strategic Link: This operational objective is not linked to the Office of Risk Management's (ORM) current strategic plan. The Office of Risk Management will complete revisions to its strategic plan in the beginning of FY 2001-2002.

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 2 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Number of claims per adjuster (Workers' Compensation)	Not applicable ¹	398	Not applicable ¹	398	341	341
K	Number of claims per adjuster (Transportation)	Not applicable ¹	207	Not applicable ¹	207	207	207
K	Number of claims per adjuster (Property)	Not applicable ¹	265	Not applicable ¹	265	265	265
K	Number of claims per adjuster (Medical Malpractice)	Not applicable ¹	204	Not applicable ¹	204	159	159
K	Number of claims per adjuster (Road Hazard)	Not applicable ¹	298	Not applicable ¹	298	238	238

¹ This is a new performance indicator for FY 2001-2002. It did not appear under Act 60 or Act 2 and does not have a FY 1999-2000 or a FY 2000-2001 performance standard. The performance indicator value for existing performance standard is an estimate not a standard.

GENERAL PERFORMANCE INFORMATION: CLAIMS		
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1998-99	PRIOR YEAR ACTUAL FY 1999-00
Number of claims pending at period beginning	12,111	13,276
Number of claims opened	13,644	12,501
Number of claims closed	12,479	13,124
Number of pending claims at period end	13,276	12,653
Number of claims inception to date	207,638	220,139

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1999 - 2000	ACT 2 2000 - 2001	EXISTING 2000 - 2001	CONTINUATION 2001 - 2002	RECOMMENDED 2001 - 2002	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	7,754,850	6,848,987	6,848,987	6,972,796	7,015,041	166,054
Statutory Dedications	0	0	0	0	0	0
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	\$7,754,850	\$6,848,987	\$6,848,987	\$6,972,796	\$7,015,041	\$166,054
EXPENDITURES & REQUEST:						
Salaries	\$4,612,150	\$4,157,212	\$4,157,212	\$4,258,638	\$4,173,465	\$16,253
Other Compensation	121,575	60,000	60,000	60,000	60,000	0
Related Benefits	869,255	841,554	841,554	856,210	856,210	14,656
Total Operating Expenses	1,657,624	1,408,611	1,408,611	1,429,926	1,386,322	(22,289)
Professional Services	112,814	77,500	77,500	79,050	77,500	0
Total Other Charges	113,031	181,170	181,170	186,392	358,964	177,794
Total Acq. & Major Repairs	268,401	122,940	122,940	102,580	102,580	(20,360)
TOTAL EXPENDITURES AND REQUEST	\$7,754,850	\$6,848,987	\$6,848,987	\$6,972,796	\$7,015,041	\$166,054
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	135	123	123	123	121	(2)
Unclassified	0	0	0	0	0	0
TOTAL	135	123	123	123	121	(2)

SOURCE OF FUNDING

This program is funded with Fees and Self-generated Revenues. Fees and Self-generated Revenues are derived from premiums billed for insurance provided by this Office and from interest earnings from the self-insurance fund. State and quasi-state entities obtain insurance through the Office of Risk Management.

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$6,848,987	123	ACT 2 FISCAL YEAR 2000-2001
			BA-7 TRANSACTIONS:
\$0	\$0	0	
\$0	\$6,848,987	123	EXISTING OPERATING BUDGET – December 15, 2000
\$0	\$54,971	0	Annualization of FY 2000-2001 Classified State Employees Merit Increase
\$0	\$61,111	0	Classified State Employees Merit Increases for FY 2001-2002
\$0	(\$19,512)	0	Risk Management Adjustment
\$0	\$102,580	0	Acquisitions & Major Repairs
\$0	(\$122,940)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$4,469	0	Legislative Auditor Fees
\$0	\$189,943	0	Rent in State-Owned Buildings
\$0	(\$13,057)	0	Maintenance of State-Owned Buildings
\$0	\$753	0	UPS Fees
\$0	(\$85,173)	(2)	Attrition Adjustment
\$0	(\$2,777)	0	Civil Service Fees
\$0	(\$4,314)	0	State Treasury Fees
\$0	\$7,015,041	121	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$7,015,041	121	BASE EXECUTIVE BUDGET FISCAL YEAR 2001-2002
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE

\$0 \$7,015,041 121 GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 102.4% of the existing operating budget. It represents 89.9% of the total request (\$7,802,888) for this program. Adjustments in this program include: Annualization of FY 2000 - 2001 Classified State Employees Merit Increases \$54,971; Classified State Employees Merit Increases for FY 2001 - 2002 \$61,111; Attrition Adjustment -\$85,173, including the elimination of two (2) positions; Risk Management Adjustment -\$19,512; replacement office equipment \$102,580; and a Rent in State-owned Buildings adjustment \$189,943.

PROFESSIONAL SERVICES

\$50,000	Reserve analysis and statistical forecasting, etc.
\$2,500	Training sessions for Underwriting/Auditing Units, Insurance, and Classifying Rating, etc.
\$25,000	State Police inspections - contract for accident reconstruction and investigative services involving fatalities
\$77,500	TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

\$10,237	Treasurers' Office - Pro-rata share of the State's Central Depository Banking cost
\$19,183	Pro-rata share of the cost of operations of the Department of Civil Service
\$4,994	Pro-rata share of the cost of operations of the Uniform Payroll System
\$9,316	Services from the Department of Public Safety
\$45,447	Legislative Auditor expense
\$199,192	Division of Administration - Buildings and Grounds
\$5,308	Division of Administration - Maintenance
\$65,287	Division of Administration - Executive Management
\$358,964	SUB-TOTAL OTHER CHARGES

Interagency Transfers:

This program does not have funding for Interagency Transfers for Fiscal Year 2001-2002.

\$358,964	TOTAL OTHER CHARGES
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ACQUISITIONS AND MAJOR REPAIRS

\$102,580 Replacement office equipment.

\$102,580 TOTAL ACQUISITIONS AND MAJOR REPAIRS